

# OPEN MEETING



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MEMORANDUM RECEIVED  
AZ CORP COMMISSION

Arizona Corporation Commission DOCKET CONTROL

TO: THE COMMISSION

DOCKETED 2014 NOV 25 AM 10 13

FROM: Utilities Division

NOV 25 2014

DATE: November 25, 2014

DOCKETED BY

ORIGINAL

RE: IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY L.L.C. FOR APPROVAL OF A RATE INCREASE ---RESPECTIVELY CAGRD ANNUAL FEE ADJUSTMENT (DOCKET NO. W-03718A-09-0359)

## I. Introduction

On October 15, 2014, pursuant to Decision No. 72177 (February 11, 2011) and as modified by Decision No. 73283 (July 30, 2012), Sahuarita Water Company, L.L.C. ("SWC" or "Company") filed with the Arizona Corporation Commission ("ACC" or "Commission") the Company's proposed Central Arizona Groundwater Replenishment District ("CAGRD") adjustor fee.

Decision No. 72177 authorized the Company to implement an adjustor mechanism to recover the costs paid to the CAGRD for replenishment of excess groundwater. The conditions as modified by Decision No. 73283 require the Company to submit, by October 25 of each year, for Commission consideration, its proposed CAGRD fees for the next twelve-month period (along with documentation from the relevant state agencies to support the calculations), to apply to all water sold after December 1.<sup>1</sup> The fee for 2014 was approved in Decision 74242 on January 7, 2014. The Company made the instant filing on October 15, 2014, requesting an adjustor reset for sales billed in 2014.

## II. Background

The CAGRD was established by the Arizona legislature to serve as a groundwater replenishment authority. It provides a mechanism for designated water supply providers, such as Sahuarita, to demonstrate a 100-year water supply. Members pay the CAGRD to replenish any groundwater pumped by the member that exceeds the specified pumping limits. The CAGRD is recognized as an important tool in Arizona's groundwater conservation efforts.

## III. Calculation of the CAGRD Adjustor Fee

Decision No. 72177 specified nine conditions regarding the CAGRD Adjustor. Condition No. 6 ordered that the adjustor fee be calculated as follows: "The total CAGRD fees paid by the Company for the most current year....shall be divided by the gallons sold by the Company in that year to determine a CAGRD adjustor fee per 1,000 gallons."<sup>2</sup>

In addition, although the Decision did not contain an explicit provision for a true-up, the parties were in agreement that such an annual true-up would occur at the time of the annual adjustor

<sup>1</sup> Decision No. 73283, page 3, lines 2 through 8.

<sup>2</sup> Decision No. 72177, page 41, lines 15-17.

THE COMMISSION

November 25, 2014

Page 2

reset. This understanding was confirmed by the Commission's provision for a true-up in Decision No. 72204.<sup>3</sup>

The Company proposes a rate of \$1.15 per thousand gallons. Utilities Division Staff ("Staff") has reviewed the Company's proposed calculations and the supporting documentation submitted with its request. Staff concurs with the Company's proposed rate.

True-up

The CAGR D invoice to SWC for the 2012 annual replenishment assessment was \$439,872.32. SWC reports that, as of September 30, 2014, the Company had total collections and interest of \$380,860.17.<sup>4</sup>

This true-up calculation indicates an under-collection of \$40,059.07 as follows:

a. 2011 over-collection of CAGR D invoice	\$ (18,953.08)
b. 2012 CAGR D invoice	439,872.32
c. Less: Collections and interest through September, 2014	<u>380,860.17</u>
d. 2012 CAGR D under-collection [A+B-C]	<u>\$ 40,059.07</u>

Adjustor Fee

The CAGR D invoice to SWC for 2013 states total fees due of \$512,734.32. The Company proposes a per 1,000 gallon adjustor charge of \$1.15, based on water produced of 480,484,000 or 1,474.5 acre feet.

Staff's calculation of the new CAGR D adjustor fee is shown below. The fee is \$1.15 per kgal.

a. 20113 CAGR D invoice	\$ 512,734.32
b. Plus under-collection from 2012	<u>40,059.07</u>
c. Amount to be recovered [A+B]	552,793.39
d. Total kgal sold in 2012	<u>480,484</u>
e. Charge per 1,000 gallon [C ÷ D]	<u>\$ 1.15</u>

**IV. Conclusions and Recommendations**

Staff concludes that the Company has filed the appropriate request to revise the CAGR D adjustor fee as required by Decision No. 73283.

Staff recommends approval of the CAGR D adjustor fee in the amount of \$1.15 per 1,000 gallons as proposed by the Company.

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<sup>3</sup> Decision No. 72204, page 2, lines 1-7.

<sup>4</sup> Company's application dated October 15, 2014.

Staff recommends that the Company file, within 7 days of a Decision in this matter, a CAGRDR adjustor fee tariff consistent with the rate approved herein.

Staff recommends that the Company notify its customers of the CAGRDR adjustor fee tariff approved herein within 30 days of the effective date of the Decision in a form and manner acceptable to the Commission's Utilities Division Staff.

Staff recommends that the CAGRDR adjustor fees authorized herein become effective for all water sold after December 1, 2014.



Steven M. Olea  
Director  
Utilities Division

SMO: JK:sms\WVC

Originator: Jorn Keller

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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP  
Chairman  
GARY PIERCE  
Commissioner  
BRENDA BURNS  
Commissioner  
BOB BURNS  
Commissioner  
SUSAN BITTER SMITH  
Commissioner

IN THE MATTER OF THE APPLICATION )  
OF SAHUARITA WATER COMPANY, L.L.C. )  
FOR AN INCREASE IN RATES )  
RE PROPOSED CAGRD ADJUSTOR FEES )

DOCKET NO. W-03718A-09-0359  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
December 11 and 12, 2014  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. On October 25, 2014, pursuant to Decision No. 72177 (February 11, 2011) and as modified by Decision No. 73283 (July 30, 2012), Sahuarita Water Company, L.L.C. ("Sahuarita" or "Company") filed with the Arizona Corporation Commission ("Commission") the Company's proposed Central Arizona Groundwater Replenishment District ("CAGRD") adjustor fees.

2. Decision No. 72177 authorized the Company to implement an adjustor mechanism, subject to certain conditions, to recover the costs paid to the CAGRD for replenishment of groundwater. The conditions as modified by Decision No. 73283 require the Company to submit, by October 25 of each year, for Commission consideration, its proposed CAGRD fees for the next twelve-month period (along with documentation from the relevant state agencies to support the ...

calculations), to apply to all water sold after December 1. Accordingly, the Company made the instant filing on October 15, 2014, requesting an adjustor reset for sales billed in 2014.

### Background

3. The CAGR D was established by the Arizona legislature to serve as a groundwater replenishment authority. It provides a mechanism for designated water supply providers, such as Sahuarita, to demonstrate a 100-year water supply. Members pay the CAGR D to replenish groundwater pumped by the member that exceeds the specified pumping limits. The CAGR D is recognized as an important tool in Arizona's groundwater conservation efforts.

### Calculation of the CAGR D Adjustor Fees

4. Decision No. 72177 specified nine conditions regarding the CAGR D Adjustor. Condition No. 6 ordered that the adjustor fees be calculated as follows: "The total CAGR D fees paid by the Company for the most current year . . . shall be divided by the gallons sold by the Company in that year to determine a CAGR D adjustor fee per 1,000 gallons."<sup>1</sup>

5. In addition, although the Order did not contain an explicit provision for a true-up, the parties were in agreement that such an annual true-up would occur at the time of the annual adjustor reset. This understanding was confirmed by the Commission's provision for a true-up in Decision No. 72204.<sup>2</sup>

6. The Company proposes a rate of \$1.15 per thousand gallons. Utilities Division Staff ("Staff") has reviewed the Company's proposed calculations and the supporting documentation submitted with its request. Staff agrees with the methodology employed by the Company to calculate the true-up, and it recommends the Company's proposed adjustor fee of \$1.15 per 1,000 gallons.

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<sup>1</sup> Decision No. 72177 page 41, lines 15-17.

<sup>2</sup> Dec. No. 72204, page 2, lines 1-7.

True-up

7. The CAGR D invoice to Sahuarita for the 2012 annual replenishment assessment was \$439,872.32. Sahuarita reports that, as of September 30, 2014, the Company will have total collections and interest of \$380,860.17.<sup>3</sup>

8. This true-up calculation indicates an under-collection of approximately \$40,059.07 as follows:

a.	2011 over-collection of CAGR D	\$ (18,953.08)
b.	2012 CAGR D invoice	439,872.32
c.	Less: Collections and interest through September 2014	<u>380,860.17</u>
d.	2012 CAGR D under-collection [A+B-C]	<u>\$ 40,059.07</u>

Adjuster Fee

9. The 2013 CAGR D invoice to Sahuarita states total charges due of \$512,734.32. The Company proposes a per 1,000 gallon adjuster charge of \$1.15, based on water produced of 480,484,000 or 1,474.5 acre feet. Staff's calculation of the new CAGR D adjuster fee is shown below.

a.	2013 CAGR D invoice	\$ 512,734.32
b.	Plus under-collection from 2012	<u>40,059.07</u>
c.	Amount to be recovered [A+B]	\$ 552,793.39
d.	Total kgal sold in 2012	<u>480,484</u>
e.	Charge per 1,000 gallon [C÷D]	\$ <u>1.15</u>

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<sup>3</sup> Company's application filed October 15, 2014.

1 Conclusions and Recommendations

2 10. Staff concludes that the Company has filed the appropriate request to revise the  
3 CAGRDR adjustor fees as required by Decision No. 73283.

4 11. Staff recommends approval of the CAGRDR adjustor fees as described herein.

5 12. Staff recommends that the Company file, within 7 days of a Decision in this matter, a  
6 CAGRDR adjustor fee tariff consistent with the rates approved herein.

7 13. Staff recommends that the Company notify its customers of the CAGRDR adjustor fee  
8 tariff approved herein within 30 days from the effective date of the Decision in a form and manner  
9 acceptable to Staff.

10 14. Staff recommends that the CAGRDR adjustor fees authorized herein become effective  
11 for all water sold after December 1, 2014.

12 15. We find that Staff's conclusions and recommendations are reasonable and should be  
13 adopted.

14 CONCLUSIONS OF LAW

15 1. Sahuarita Water Company, L.L.C. is a public water service corporation within the  
16 meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

17 2. The Commission has jurisdiction over Sahuarita Water Company, L.L.C. and the  
18 subject matter of the application.

19 3. Approval of the proposed CAGRDR adjustor fees is consistent with the Commission's  
20 authority under the Arizona Constitution, Arizona ratemaking statutes and applicable case law.

21 4. It is in the public interest to approve the Sahuarita Water Company, L.L.C.'s request  
22 for implementation of the CAGRDR adjustor fees as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that the application by Sahuarita Water Company, LLC to implement a new CAGR D adjustor fee of \$1.15 per 1,000 gallons, is approved for all customer billings for water sold after December 1, 2014.

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1 IT IS FURTHER ORDERED that Sahuarita Water Company, LLC docket with the  
2 Commission as a compliance matter, within seven (7) days of the effective date of this Decision, a  
3 CAGR D adjustor fee tariff consistent with the rates approved herein.

4 IT IS FURTHER ORDERED that Sahuarita Water Company, LLC shall notify its customers  
5 of the CAGR D adjustor fee approved herein within 30 days of the effective date of this Decision in a  
6 form and manner acceptable to the Commission's Utilities Division Staff.

7 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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9 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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12 CHAIRMAN

COMMISSIONER

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15 COMMISSIONER

COMMISSIONER

COMMISSIONER

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17 IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of  
18 the Arizona Corporation Commission, have hereunto, set my hand and  
19 caused the official seal of this Commission to be affixed at the Capitol,  
in the City of Phoenix, this \_\_\_\_\_ day of  
\_\_\_\_\_, 2014.

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JODI JERICH  
23 EXECUTIVE DIRECTOR

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25 DISSENT: \_\_\_\_\_

26 DISSENT: \_\_\_\_\_

27  
28 SMO: JK:sms\WVC

Decision No. \_\_\_\_\_

1 SERVICE LIST FOR: Sahuarita Water Company, LLC  
2 DOCKET NO. W-03718A-09-0359

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